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Central Intelligence Agency

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DIRECTORATE OF INTELLIGENCE

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IRAN-IRAQ: Possible Shift in Iranian StrategySummary

Iran continues to prepare for another large attack on the Doveyrich River front, but prospects for a major Iranian breakthrough are dim. A second failure there, accompanied by massive casualties, almost certainly would force Iran to shift its strategy from the massive infantry assaults on which it has relied so far. The Iranians would most likely revert to a low-level war of attrition while increasing subversive activities against Baghdad. Iran would hope such a strategy would further erode Iraqi morale and place additional pressure on Iraq's already deteriorating economy, eventually forcing the ouster of Iraqi President Saddam Hussein. [redacted]

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Khomeini's personal hatred of Saddam makes peace negotiations an unlikely alternative for Tehran in the near term. The clerics realize that negotiations would be perceived--in Iran, Iraq, and throughout the region--as a tacit Iranian admission of failure. [redacted]

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This memorandum was prepared by [redacted]
[redacted] Office of Near East/South Asia Analysis. Comments are welcome and may be addressed to the Chief, Persian Gulf Division, [redacted]

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Iran's chances of making major territorial gains are slim because it will be unable quickly to redress the basic tactical, numerical, and qualitative disadvantages which caused its first attacks to fail. Nonetheless, Iran probably is capable of recapturing the 100 square kilometers of Iran occupied by Iraq near Fakeh and capturing some limited Iraqi territory along the border. Iranian personnel losses almost certainly will be massive, however. [REDACTED]

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Tehran's Probable Reaction

A second failure on the Doveyrich River front is likely to convince Iran's leaders that massive assaults using ill-equipped, poorly-trained infantry cannot achieve their aims. The liabilities of this strategy already were becoming apparent to some in Tehran last July following failures east of al Basrah.

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[REDACTED] major disagreements within the military and political leadership over the wisdom of continuing such attacks in view of the heavy losses involved. [REDACTED]

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Regime leaders publicly described the latest Doveyrich attack as part of the "final offensive," a claim they have now been forced to moderate. The description suggests Tehran is sensitive to the possibility of growing war weariness and the effect that massive losses and repeated defeats will have on its core supporters--the lower classes--who have provided the bulk of Iran's infantry. [REDACTED]

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Declining morale already has begun to affect combat effectiveness at the front.

- Khomeini publicly complained after the latest attacks about low morale.
- Five military commanders were to be executed for retreating during the fighting in February--the first time Iran is known to have taken such drastic action since the early days of the war.
- Iranian POWs captured by the Iraqis complained that the lack of response to Iraqi air attacks hurt morale during the recent buildup.

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Tehran's Other Options

Iran's ability to achieve a decisive victory using "human wave" attacks apparently has peaked, leaving it with three other options:

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- Lower the scale of the fighting, hoping subversion and growing economic problems will bring down Saddam.
- Move to a more conventional war, relying on heavy equipment. This would require considerable time to prepare, probably while Iran pursued option one.
- Negotiate a peace agreement, extracting as large a reparations payment as possible. At least initially this course could be pursued in conjunction with option one, but a cease-fire likely would be an early requisite for negotiations to continue.

Attrition and Subversion

We believe Iran will most likely opt to lower the level of fighting to a border war of attrition while increasing its subversive activities against Baghdad. Such a strategy would maintain the pressure on Iraq while reducing the risk of a popular backlash at home over casualties. Iran could pursue this strategy by shelling and conducting infantry probes along the border. It also could launch commando or air raids against Iraqi oil or other economic facilities. [REDACTED]

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The Iranians, who have lower economic expectations than the Iraqis, are better prepared to withstand the economic problems resulting from a war of attrition. Indeed, by discounting the price of its oil, Iran has boosted its exports to around 2.5 million barrels per day--up from only 500,000 barrels a year ago. As a result, Iran ended the year with a current account surplus of around \$4.5 billion, and continues to add to that at the rate of about \$1 billion every 2.5 months. Iranian foreign reserves have climbed from less than \$4 billion at the end of 1981 to a current \$7 billion. [REDACTED]

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Iraq's oil exports are only a fifth of its prewar level and its foreign reserves have plummeted from \$21 billion at the beginning of 1982 to about \$5 billion--the equivalent of less than three month's worth of imports. The resulting cash squeeze has forced Baghdad to seek deferred payments on military contracts and on a wide variety of economic projects already underway. Other projects have been postponed and contracts cancelled. The Persian Gulf states, with economic difficulties of their own, will be increasingly reluctant to provide Iraq with close to the \$5.5 billion they gave last year--requiring further cutbacks in Iraqi imports. [REDACTED]

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Iran almost certainly realizes that economic problems alone will not bring down Saddam. Rather, Tehran hopes economic difficulties will feed political dissent. A war of attrition thus would be accompanied by a propaganda campaign directed at Iraqi Shias--the majority of Iraq's population--and by attempts to infiltrate Iraqi expatriates to generate unrest. [REDACTED]

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A war of attrition is not without its liabilities for Iran, however. Although it reduces the human costs, it prolongs the war. Having promised final victory soon, the regime would face what will come to be seen as an open-ended war by its people. Moreover, the oil market is entering a period of uncertainty. If oil prices fall steeply, Iran's only major source of hard currency earnings would plummet and strain Tehran's ability to both sustain the war and meet other economic needs to maintain its popular support. [REDACTED]

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Even under these conditions, however, Iran would be in a relatively better position than Iraq. Tehran would start with higher foreign reserves and would be able within a year to boost its oil production from the current 3 million barrels per day to between 4 and 5 million barrels, thereby generating more revenue. Iraq on the other hand, would be unable to raise its oil production so long as its Gulf outlets remain blocked and the Syrian pipeline closed. Falling oil prices also would further constrain the ability of Iraq's Arab supporters to continue current levels of assistance to Baghdad. [REDACTED]

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Conventional War

Iran could opt to rebuild its conventional forces in conjunction with a war of attrition in hopes of eventually imposing a military solution on Baghdad. This strategy would require at least several years to make a significant dent in Iraq's overwhelming numerical advantage in all categories of major combat equipment. Iran has some 260 fighter aircraft remaining in its inventory, only about 70 of which are operational, and approximately 1,000 tanks remaining. Iraq, however, has more than a four-to-one advantage in operational fighter aircraft and about a three-to-one edge in tanks. [REDACTED]

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Such a shift in strategy would force the regime to depend on its suppliers for spare parts and maintenance support, thereby limiting its cherished independence from both East and West. A major strengthening of the air and armor forces would likely revive fears among some regime leaders about potential military involvement in politics. It also would divert funds from reconstruction and development programs which the regime uses to maintain popular support. [REDACTED]

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The Soviet Union is the only arms supplier that could deliver large quantities of arms quickly enough to have an appreciable impact on the war during the next year, but Moscow would probably approach such a commitment with caution. It has tilted toward Baghdad since Iran's invasion of Iraq last July and has reportedly signed a major new arms deal with Iraq. [redacted]

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[redacted] Moscow earlier had indicated it would be willing to supply major weapon systems directly to the Iranians. Tehran, however, has been highly reluctant to depend on Moscow for arms because of political, ideological, and security reasons, and is likely to remain so. [redacted]

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Iran's reluctance to deal directly with the Soviets and the continuing Western arms embargo have forced the Iranians to depend on Third World suppliers such as Libya and North Korea for Soviet-style weaponry. [redacted]

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Peace Negotiations

Negotiations with Baghdad are probably the least attractive option in Tehran--especially given Khomeini's abiding personal hatred for Saddam. Starting negotiations with a regime Tehran has sworn to bring down, moreover, would be perceived in Iran and within the region as an admission of failure. The regime probably also wishes to avoid the bitter political infighting likely to ensue over the issue of peace negotiations. [redacted]

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If oil prices decline, however, economic problems and attending political strains could push Tehran toward negotiations in hopes of receiving large-scale reparations. Iran is demanding up to \$150 billion. Baghdad, which rejects any attempt to be labeled the aggressor, has refused to consider payment of formal reparations. Tehran probably would have to accept a formula that creates a fund for redevelopment available to both countries. Iraq's Arab neighbors in the Gulf, the most likely candidates to provide funds, have already informally discussed this proposal, but their own economic difficulties limit the amount Tehran could hope to obtain. [redacted]

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